A photograph of four rowers in a boat, viewed from above, moving across a dark body of water. The rowers are wearing red and white uniforms. The boat's structure is visible, and the water shows some motion blur.

Challenge and Achievement

HIGHER EDUCATION
FUNDING COUNCIL *hefce* FOR ENGLAND

Annual Report 1995-96

Mission Statement

The HEFCE's mission is to promote high quality, cost-effective teaching and research within a financially healthy higher education sector, having regard to national needs.

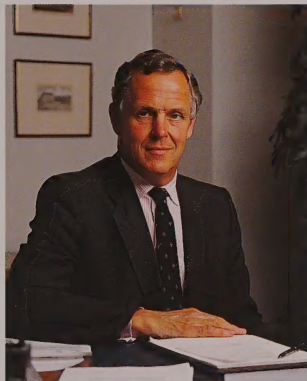
In pursuing its mission the Council will:

- Promote high quality education and research which advances knowledge, and meets the diverse needs of students and the needs of the economy.
- Encourage in higher education a widening range of opportunities through institutions which build on their strengths at local, regional, national, and international level.
- Contribute to innovation and development in higher education through the assessment of teaching, learning and research, the funding of initiatives and research into the delivery and outcomes of higher education.
- Develop active partnerships with institutions sustained through regular consultation, transparent funding mechanisms and the prompt provision of information.
- Advise Government on the aspirations and needs of higher education and contribute to public information on the achievements and opportunities provided by higher education; in doing so take account of international experience.
- Build partnerships with other bodies engaged in education and research in the UK and abroad, and with employers.
- Promote good management, effective accountability for public funds and value for money, both within higher education institutions and in the Council's own practices.



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Chairman's Introduction



I am delighted to present this annual report which covers the Council's third full year of operation.

During the year the Council distributed over £3 billion to 138 higher education institutions and supported higher education courses at 74 further education colleges. This report assesses the Council's contribution to the achievements of the universities and colleges we fund.

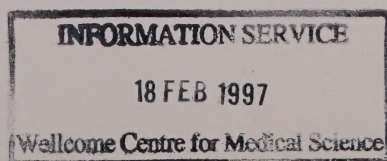
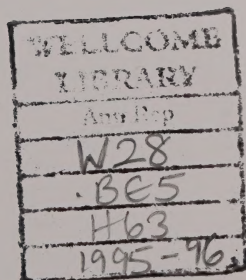
In 1995-96 there were 1.4 million students in universities and colleges in England, of whom one-third were studying part-time. The participation rate of young people studying full-time in higher education remains at around 30 per cent. Institutions deserve considerable credit for keeping within Government student number targets, whilst continuing to meet broad policy objectives in teaching and research. Assessments carried out during the year under the Council's revised method continue to show high quality teaching and learning throughout the sector.

Bald statistics disguise a significant development. A study by the Council's Advisory Group on Access and Participation shows that the sector has made considerable progress in widening access to higher education for those from non-traditional backgrounds and previously under-represented groups, such as ethnic minorities.

In research we look forward to the outcome of this year's Research Assessment Exercise (RAE), which has been managed by HEFCE staff on behalf of all the UK higher education funding bodies. The results will be published in December 1996, and we expect them to confirm the benefits of our policy to promote excellence through the selective distribution of funds.

It is widely recognised that our most important role in funding research is to provide for the funding of staff and basic infrastructure. We are encouraging greater collaboration between higher education and industry, taking into account the *Realising our Potential* and *Competitiveness* White Papers and the Technology Foresight programme. Our current review of the funding method for research will focus on how funding allocations can best reflect national needs.

The Council will do all it can to build on these teaching and research achievements in a challenging financial climate. While many were expecting a tight settlement for 1996-97, few could have forecast the large reduction in capital grant. The resulting cut in total funding added considerably to the financial pressures on institutions. Their latest returns to the Council indicate that, unless urgent offsetting action is taken, the sector as a whole will move from a wafer-thin surplus into deficit in 1996-97.



The Council will monitor the effects of these cutbacks on the financial health of institutions and on their ability to deliver high quality teaching and research. We will continue to work constructively with individual institutions experiencing particular financial difficulties, and with the sector as a whole in identifying value for money solutions and disseminating best practice. We shall also do all we can to provide the best possible advice to Government based on firm evidence of the needs and pressures facing institutions.

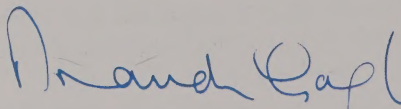
We are actively helping universities and colleges to take full advantage of opportunities created by the Government's Private Finance Initiative (PFI) to meet their capital needs. Initiatives include the creation of a PFI unit within the Council; a national PFI exhibition and seminars; a PFI opportunities register; and support funding for 12 pathfinder projects chosen by competition.

The Council has welcomed the setting up of the National Committee of Inquiry into Higher Education, under the chairmanship of Sir Ron Dearing, which is taking a broad look at higher education and how it should be funded. We have commissioned a number of studies into various aspects of higher education and look forward to sharing our experience and findings with the Dearing Committee.

The Council will continue to pursue policies and fund initiatives to advance higher education. In partnership with the sector we will use our pivotal position to promote teaching and research, reflecting national needs.

In last year's report I paid tribute to Professor Sir Graeme Davies who resigned as Chief Executive to become Principal of Glasgow University. This year I should like to pay tribute to three Board members whose period of office expired at the end of the year. Professor Sir Brian Follett, Sir Idris Pearce and Professor David Watson made outstanding contributions in the fields of libraries development, estates policy, and quality assurance respectively, as well as offering excellent advice in other areas of Council business. The impact of their work will continue over the coming years.

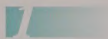

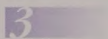
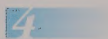


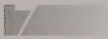
Finally I should like to thank the Council's staff for their professionalism and hard work during the year.



Brandon Gough

Annual Report 1995-96

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Chief Executive's Statement



During my first year as Chief Executive I have been struck by the very strong sense of commitment that exists throughout higher education. My overriding impression, from the many groups and individuals I have met, is of great energy, innovation and enterprise, backed by an enduring sense of public service.

I have been impressed by the increasing contributions of universities and colleges at a national and international level. Just as important is their strong commitment to the life of their region where they play a vital economic role.

Higher education has much to be proud of, and the country as a whole needs to recognise the significance of its achievements. These include a remarkable expansion in student numbers across all modes and levels of study; extension of choice and opportunity for an ever-widening range of students; a growing research base, which encompasses the benefits of increasing selectivity; innovative and effective management; and increasingly sophisticated and robust quality assurance procedures.

The Council has a duty to ensure that it is meeting key objectives through its funding. In pursuit of these objectives we will continue to encourage a wide range of choices for students, and promote quality in teaching and learning as well as encouraging excellence in research. These are key themes to be found throughout this annual report.

At the heart of our policies is the learning experience of students, which the Council is promoting in several ways. The quality assessment programme has led to high quality teaching and learning being given even greater importance in universities and colleges. The Teaching and Learning Technology Programme (TLTP) is the most significant of a number of initiatives which benefit students through the use of new technology. These developments help make educational provision in the UK among the most innovative and effective in the world. They put the student at the centre of the learning process and enable staff to review their teaching strategies to the advantage of all types of student.

The importance of the student learning experience is again a major consideration in the distribution of Council funds. The present funding method for teaching has brought a high degree of financial stability to institutions, but its impact on the benefits for all students needs to be reviewed.

There are differences in the levels of funding for similar subjects, and these are difficult to justify. Also, because of the Government's policy of consolidation, the distribution of student numbers between institutions has been virtually frozen for the past three years. This means that the Council is unable to respond to changes in student demand, regional needs, or national policy. Solutions to these problems are being sought through consultations with the sector on proposals to change the funding method.

There is intense discussion about the funding of research and its highly selective distribution. Severe limitations on funding create pressures to be even more selective. The Council will have to try to balance those pressures with the need to nurture new areas and locations of research excellence.

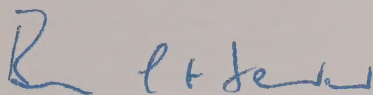
In a climate where the public expects ever higher standards of accountability, one of the Council's important tasks is to help institutions improve their management and deliver the best possible value for money. We look to partnerships with CVCP and SCOP to promote good practice, and to those bodies and the Committee of University Chairmen for matters relating to governance.

The Council has welcomed the second report of the Nolan Committee on Standards in Public Life which acknowledged the high level of responsibility and dedication shown by members of governing bodies of universities and colleges. In the rare cases of mismanagement or maladministration, the Nolan Committee recognised that the Council, together with the institutions' representative associations, had taken effective remedial action.

Since taking up my post I have been keen to develop even closer partnerships between the Council and other bodies who share our concern for the well-being of higher education. I remain committed to a single quality assurance agency which will allow CVCP, SCOP, institutions and the funding councils to develop better quality assurance procedures. In this respect I am particularly grateful to Sir William Fraser for his wisdom and fortitude in chairing the Joint Planning Group, which has been preparing for the new agency. I also value our close partnership with the Office of Science

and Technology which has given rise to a joint initiative to fund research equipment in Technology Foresight priority areas.

Finally, the HEFCE could not function without the willing participation of literally hundreds of people up and down the country in advisory and working groups, on RAE panels and as assessors in the quality assessment programme. To all of them, as well as Board members, and the Council's own staff, I am much more than formally grateful.

A handwritten signature in blue ink, appearing to read 'B. Fender', written in a cursive style.

Professor Brian Fender

The Higher Education Sector

The Council funds over 200 universities and colleges in England, each with its own distinctive mission, history and character.

Most are higher education institutions (72 universities, 16 individual institutions of the University of London, and 50 colleges of higher education); with 74 further education colleges also providing higher education courses. They range from small specialist art and music colleges to large multi-faculty institutions. Some mainly serve the local community, concentrating on part-time and vocational courses, while others have a national and international role focusing on research and postgraduate work.

In 1994-95 higher education institutions in England employed a total of 93,700 academic and academic-related staff.

Changing Student Population

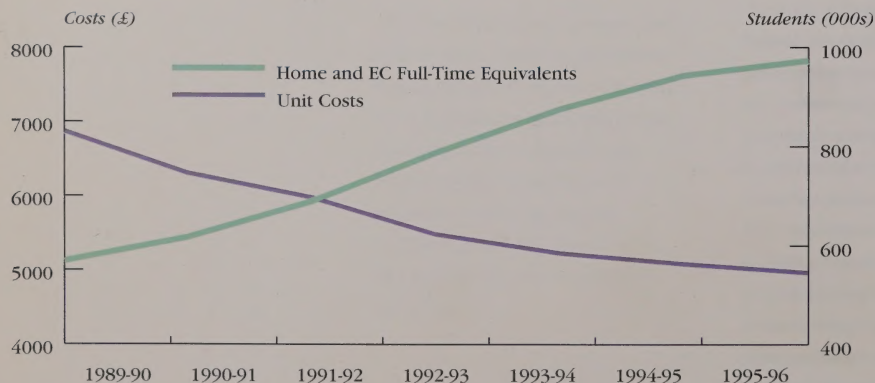
There were 1.4 million students enrolled on higher education courses in 1995-96, an increase from 1.32 million in 1994-95. The main areas of growth have been in fee-paying overseas students from outside the EC, those taking higher education courses at further education colleges, and part-time students.

Numbers of overseas students have increased steadily, from 58,500 in 1992-93 to 82,600 in 1995-96. They now make up 6 per cent of the total student population. Between 1990-91 and

1994-95, numbers of full-time students on higher education courses in further education colleges doubled, from 21,800 to 43,700. Taking the sector as a whole, 36 per cent of students are part-time.

Many people are going into higher education later in life: more than a third of undergraduates are over 21 when they start their course. Some are 'second chancers' who did not have the opportunity or the qualifications to enter higher education when they left school. Others are 'second timers', returning to update their skills or retrain for a new career. Higher education is increasingly part of a

HEFCE Unit Costs and Student Numbers 1989-90 to 1995-96



Figures are at 1995-96 costs, and for financial years 1 April to 31 March. Unit costs are HEFCE grants plus tuition fees, divided by home and EC students. Source: 'The Effects of Public Funding on Higher Education Institutions', DfEE, July 1996.

pattern of lifelong learning, whether related to employment or as an end in itself. This trend has increased demand for part-time and modular courses.

Other changes reflect initiatives, by the Council and by institutions themselves, to improve access to higher education for students from non-traditional backgrounds and under-represented groups. The outcomes are described in the HEFCE's report, *Widening Access to Higher Education*, published in April 1996.

Ethnic minorities are now generally well represented in higher education, despite variations between individual institutions. The number of students with disabilities has also increased, although they are still under-represented when compared to society as a whole, as are people from working-class backgrounds.

A growing number of students enter with qualifications other than A-levels,

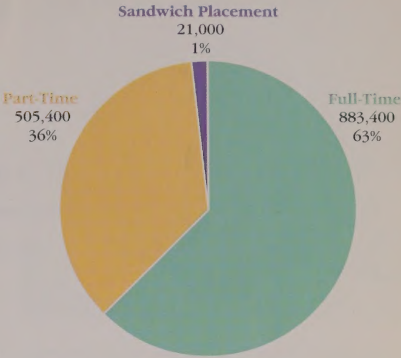
including work experience and GNVQs. Access and conversion courses, designed to prepare students for higher education in general or for a particular subject, are also important alternative entry routes.

Sources of Funding

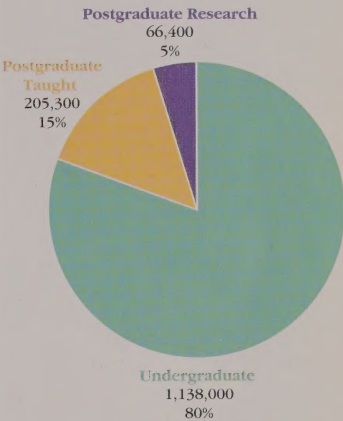
The Council is the largest single source of funds for higher education in England, contributing 42 per cent of the total. However, the amount given to each institution varies according to its activities and money raised from other public and private sources (see diagram). Many institutions have been successful in increasing income from private sources.

Institutions have also become more efficient. Between 1989-90 and 1995-96, numbers of UK and EC students increased by 71 per cent, while HEFCE grants plus tuition fees for each student (unit costs) fell by 28 per cent.

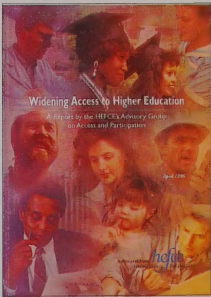
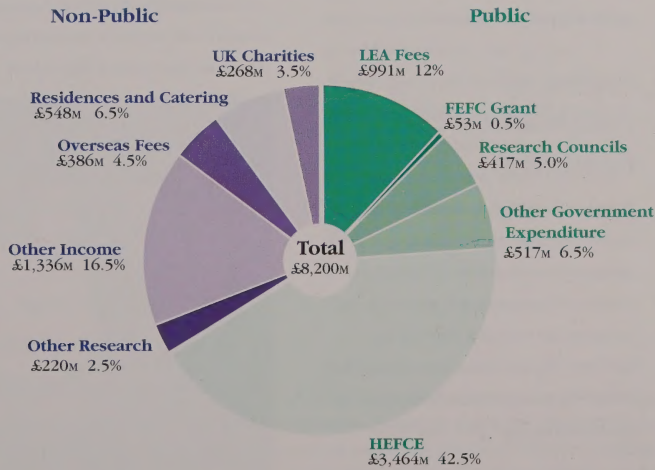
1995-96 Students by Mode



1995-96 Students by Level



Main Sources of Funding for Universities and Colleges 1994-95



Enhancing Quality and Opportunity

The Council funds a number of special initiatives, focusing on making the best use of public money to benefit students and meet national needs. They include projects in partnership with institutions to develop and promote good practice, as well as policy reviews and evaluation studies.



Postgraduate student Nicola Amman is part of a research group at Royal Holloway, University of London. Work by the group is contributing to a Europe-wide environmental project to develop scientific procedures for analysing wetlands.

The Council has committed £8 million over the next two years to stimulate developments and disseminate good practice in teaching and learning throughout the sector.

The Fund for the Development of Teaching and Learning initiative (FDTL) links for the first time the results of the Council's quality assessment process to the allocation of funds. Only universities and colleges judged to be providing high quality education are eligible to bid for FDTL grants.

The first phase will support 44 projects to develop specific aspects of teaching and learning, identify good practice, and disseminate the outcomes to all institutions through, for example, written materials, electronic databases, seminars and conferences.

Review of Postgraduate Education

To maintain and enhance the deservedly high reputation of postgraduate education in the UK, the Council commissioned a review of the postgraduate sector. It was led by Professor Martin Harris, Vice-Chancellor of the University of Manchester, and co-sponsored by the CVCP and SCOP.

In the last 15 years, the number of postgraduate students has trebled. In 1994-95 they represented 21 per cent of the UK student population (315,400 out of a total of 1,528,600). Four-fifths were on taught courses, and the remainder were postgraduate research students. As numbers have increased, so has the variety of courses and qualifications.

Professor Harris's report supports this diversity, but argues for standard definitions of courses and qualifications. These would give employers and students a better picture of what different institutions can provide. The report also proposes a code of practice for universities and colleges, making clear the academic and financial commitment required from postgraduate students, and setting minimum standards of supervision and facilities.

The Council is currently consulting institutions, employers and other interested bodies on the review group's proposals.

Former Soviet and East European Studies

The Council is providing additional funding for former Soviet and East European studies in response to

representations from industry, and from the Foreign and Commonwealth Office. They felt that the UK did not have enough academic, technical, commercial and language expertise to cope with the recent dramatic changes in the former Soviet Union and East Europe.

Total funding will be £825,000 a year for three years to support 33 new teaching posts in 11 universities and colleges. The Council has also allocated £50,000 to buy archive material, and £20,000 to establish a database, which will help institutions to market their knowledge and advisory services.

Students with Disabilities

Over the past three years the Council has taken a lead role in encouraging universities and colleges to increase opportunities for people with disabilities to enter higher education. It funded 86 projects, covering a range of disabilities, and with a strong emphasis on disseminating good practice.

As a result, support for students with disabilities is now more readily available in many institutions, and they are better represented in higher education. The Council is funding a three-year programme to improve provision further.



Students working in the University of Westminster's Computer Centre for People with Disabilities. As well as supporting the university's own students, it operates as an assessment and advisory centre for the region.

Research in Progress

The Council has commissioned research studies in a number of key areas that will inform future policy. They include studies to find out why some students fail to complete their courses. (Withdrawal rates in England are relatively low - around 13 per cent compared to 50 per cent in the US and 60 per cent in Italy - but they seem to be increasing.)

Other studies cover the costs and benefits of providing for increasing numbers of non-traditional students; employability of graduates; costs and benefits of technology-assisted teaching and learning; and the existing and future needs for teaching equipment.

Evaluation Studies

Processes for monitoring and evaluating projects are built into all initiatives funded by the Council. In 1996 evaluation reports confirmed the success of two initiatives to increase opportunities for students.

The one-year Higher Introductory Technology and Engineering Conversion Course (HITECC) enabled people without A-levels in maths and physics to enter the first year of a degree or HND diploma in engineering or technology. And a three-year programme of accelerated and intensive routes to higher education (AIRs) provided opportunities for mature students in particular who wanted to update their skills and return to work as soon as possible.



Hand-held video camera featuring the designer, Martyn Beedham, a third-year Product Design student at Ravensbourne College of Design and Communication.



Harnessing Information

Research, teaching and learning in higher education depend on high quality, up-to-date information. Modern technology has the potential to deliver that information quickly and efficiently, in new ways that meet the changing needs of students and academics. The four higher education funding bodies are supporting major programmes to exploit that potential.



New technology has radically changed the way information is used and stored in the extended and refurbished library at the University of Central Lancashire, opened in September 1995.

In 1995-96 the funding bodies committed £32 million to the Joint Information Systems Committee (JISC), £27 million of which was provided by the HEFCE. One of the JISC's key roles is to provide the network that links institutions with each other, regionally, nationally and internationally.

JISC developed and maintains the Joint Academic Network (JANET), and over the last year has extended the higher speed network, SuperJANET, to over 130 sites in the UK. Metropolitan Area Networks - which provide very high speed links cost-effectively - are being developed in London, Bristol and Manchester.

Traffic on the network is more than eight times higher than it was two years ago. Initially the main use was for research, but now an increasing amount of teaching, learning and administration is done electronically. Because SuperJANET operates at high speeds, it can handle sound, video and three-dimensional images as well as large amounts of data. Staff and students at different sites are using the network to share lectures and tutorials, to collaborate on research projects, and for distance teaching and learning.

To promote such developments, and increase training and awareness, the funding bodies have committed nearly £6.5 million over three years to the JISC Technology Applications Programme (JTAP). The 53 projects will be monitored and evaluated, and outcomes disseminated so that all institutions can benefit.

New Sources

A growing body of high quality information is available to universities and colleges through the network. Datasets in all major subjects (mostly bibliographic indexes) are being added at the rate of about four a year. And a multi-media resource bank of images, text and video, called the Knowledge Gallery, is being developed by the JISC in collaboration with Kodak and Sun Microsystems.

Libraries, the traditional source of information, are also radically affected by new technology. To test which applications are appropriate to higher education, and provide good value for money, the JISC set up the electronic library (eLib) programme in 1994. It now funds around 60 projects to identify best practice in such areas as electronic journals, on-demand publishing, access to the network, and training for staff and students.

Teaching and Learning

Projects funded under the Teaching and Learning Technology Programme (TLTP) are developing innovative technology-based materials to help institutions meet the changing needs of students. Materials can be integrated into courses to give students and staff more flexibility, for example in providing part-time and modular programmes. They can be used in libraries, at home or at work, allowing students to study at their own pace. Many TLTP materials can also be adapted by teachers to meet the needs of students with different abilities, experience and qualifications, as well as providing tools for computerised assessment.

Subject-specific consortia of departments from different institutions are developing around three-quarters of such projects.

The remainder address the implications of introducing new technology - for the curriculum as a whole, for staff development and for the institutional culture. These projects are based in individual institutions, some of which form part of the Teaching and Learning Technology Support Network, through which they can share their experiences with others.

Since the launch of TLTP in 1992, the four funding bodies have contributed £33 million to 76 projects, with a further £55 million invested by the universities and colleges themselves. An independent evaluation report published in 1996 found that TLTP had produced high quality materials which would not otherwise have been available. It recommended continuing the programme, to encourage more widespread use of materials and to develop new projects in specific subject areas.

Cheaper Academic Journals

Another joint initiative tackles the problem that fewer and fewer students and academics have access to up-to-date academic journals. Rising prices have led to cancelled subscriptions and further price rises, thus creating a vicious circle.

A solution is being piloted with four publishers: Academic Press, Blackwell Publishers Ltd, Blackwell Science Ltd, and the Institute of Physics Publishing. The funding bodies guarantee them a stable income by paying for a licence on behalf of all higher education institutions in the UK. In return, the publishers sell journals to institutions at a 60-70 per cent discount on the cover price; make a number of publications freely available electronically; and waive certain copyright restrictions, so that articles can be copied, distributed and included in study packs.

Once the concept has been proved, the funding bodies expect to hand over the running of the project to a body acting for the universities and colleges.



A virtual reality factory, developed by Dr Nick Cope at Leeds Metropolitan University, helps engineering students learn how to manage people, materials and machines. They can make decisions, such as changing work patterns or introducing new equipment, and then assess the results.



Promoting Quality Assurance

In April 1995 the Council changed the way it assesses the quality of education. The objectives of assessment remain the same: to help universities and colleges maintain and improve the quality of education; to provide accessible information to the public; and to ensure the best use of public money.



In the Department of Chemical Engineering at Loughborough University, small group demonstrations help to reinforce concepts covered in lectures.

The new method builds on the structure of the original, combining self-assessment by the institution with peer review, through visits by trained external assessors. Most assessors are academics; the remainder are drawn from industry, commerce and the professions. They assess the learning experiences and achievements of students against the institution's stated aims and objectives in each subject being assessed. Reports are published after each visit, identifying good practice and areas for improvement, with overview reports of each complete subject assessed.

Key differences in the new method are: all academic departments are now visited, compared to an average of 60 per cent previously; each assessment is structured around six core aspects of provision; and each aspect is graded on a scale of 1-4. As a result, reports are more focused and comprehensive.

The six aspects are:

- curriculum design, content and organisation
- teaching, learning and assessment
- student progression and achievement
- student support and guidance
- learning resources
- quality assurance and enhancement.

If all aspects are graded 2 or higher, the overall judgement will be 'quality approved'. If any aspect is graded 1, the department will be reassessed within 12 months. If there is no improvement, then the Council may withdraw some or all of the funding for student places in that subject.

Eight subjects were assessed in 1995-96: chemical engineering, French, German, Iberian languages and studies, Italian, linguistics, Russian and Eastern European languages and studies, and sociology. There were 297 visits; 259 individual assessment reports published; and seven overview reports of subjects assessed in 1994-95.

To evaluate the operation of the new method, the Council asks assessors and institutions for feedback. Responses from institutions show a high level of satisfaction with the overall operation of the revised method, and with the assessors' professional approach.

In 1996 the Council published the second report by the Quality Support Centre of the Open University, analysing the recommendations for improvement made by assessors between 1992 and 1995. Further research has now been commissioned in two areas: how institutions have acted on those recommendations; and whether lecturers' performance and attitudes are influenced by their training and experience as assessors.

Combining Assessment and Audit

In addition to these assessments by the Council, the Higher Education Quality Council (HEQC) carries out audits at an institutional level. These review processes for quality assurance, and their operation in practice, against the institution's stated objectives. To streamline the two systems, it is proposed to establish a single quality assurance agency in 1997. A joint planning group (JPG) was set up in 1996 to take this forward under the chairmanship of Sir William Fraser.

The new agency's immediate task will be to take over the current programmes of quality audit and assessment. At the same time, in partnership with institutions, it would develop and pilot a single integrated quality assurance process, as outlined by the JPG.

The new arrangements envisage that the agency will agree a long-term quality assurance plan with each institution, covering the timing, scope and duration of reviews. Institutions will thus be able to plan ahead to manage the demands on them.

Collaboration with Professional Bodies

The new agency will also have the opportunity to build on the work done by the Council to increase collaboration with professional and statutory bodies that accredit higher education courses. The aim is to reduce the burden on institutions, by arranging joint visits and sharing documentation. Different approaches are being discussed with around 30 bodies.

The first joint visit, with the Institution of Chemical Engineers, took place at the University of Sheffield in February 1996. It involved a single team of assessors and accreditors, sharing all documentation. All parties felt that it had been successful: each group benefited from input by the other, and there was less disruption to the department's work.



Innovative learning methods for language students at the University of Portsmouth include making video diaries of their placement year abroad and television adverts in their chosen language.

Excellence in Research

The HEFCE plays a key role in supporting the nation's research base. It is committed to promoting excellence in research and does so by distributing most of its research funding selectively.



The search for high temperature superconductors - materials which conduct electricity without resistance - is the subject of a project by the Physics Department at Durham University.

Funds provided by the HEFCE are an essential part of the dual support system maintained by the higher education funding bodies and the Research Councils. The Council provides for the research infrastructure in universities and colleges by contributing to the salaries of permanent academic staff, premises, equipment and central computing costs.

Council funding also covers most of the costs of basic research undertaken by universities and colleges. This forms the foundation for strategic and applied work, which later may be supported by the Research Councils, charities, industry, commerce and the EC. Council funding enables institutions to undertake collaborative work with industry and other users of research. It also contributes to the costs of postgraduate research education.

The Council provides a block grant for research, which institutions can use at their discretion. They must account for their use of research funds in annual reports to the Council.

Research Funding

Funding for research provided by the Council in 1996-97 amounts to £638 million and is allocated as follows:

- Quality-related Research (QR) funding (£602 million)
- Development Research (DevR) funding (£16 million)
- Generic Research (GR) funding (£20 million).

QR funding, which represents more than 94 per cent of research funding, is distributed to institutions on the basis of the quality and volume of their research.

DevR funding encourages the development of research potential in institutions which had not received substantial research funds before 1993.

GR funding rewards research which is collaborative, does not have a single beneficiary, and points the way towards a range of new applications.

Review of Funding Method

The Council is reviewing its current funding method for research. The key issues include: the degree of selectivity to be used in funding; distribution of money between subject areas, to reflect national need and international standing; and measurement of research volume.

Funds are already being distributed with a high degree of selectivity. The Council provides research funds to 121 institutions. Three-quarters of the money is allocated to 23 per cent of them (28 out of 121). These 28 institutions employ 68 per cent of the academic researchers in the country.

The Council indicated in the consultation paper on the new funding method that in future the degree of selectivity is likely to be no less than at present.

One factor the Council wishes to recognise in the new method is the response of institutions to national needs and priorities. It will pay particular attention to the policies for science, engineering and technology set out in the 1993 White Paper *Realising Our Potential*, and in successive *Competitiveness* White Papers.

Research Assessment Exercise

The new funding method for research will be decided by the HEFCE Board in December 1996. It will be used alongside the quality ratings from the 1996 Research Assessment Exercise (RAE) to determine funding for 1997-98 and subsequent years. The RAE team at the HEFCE, which is managing the exercise on behalf of the four higher



Researchers at the Centre for Biomedical and Forensic Studies in Egyptology at the University of Manchester are applying biomedical techniques to study artefacts and mummified remains from ancient Egypt.

education funding bodies, has received submissions from 192 institutions across the UK, compared with 172 in 1992 when the last exercise took place.

The RAE is based on peer review and this year involves 60 specialist panels. They will be assessing the quality rather than the volume of research, taking into account the research environment in each department. They will give equal weight to basic, generic and applied research and full recognition to research that is relevant to industry and commerce.

Technology Foresight Programme

The Council welcomed the Government's Technology Foresight Programme (TFP) as an important contribution to the development of science and technology policy. In February 1996, the Council launched a joint initiative with the other funding

councils, the Office for Science and Technology and the research councils to fund research equipment in TFP priority areas. The £36 million initiative includes matching resources from users such as industry, charities and Government.

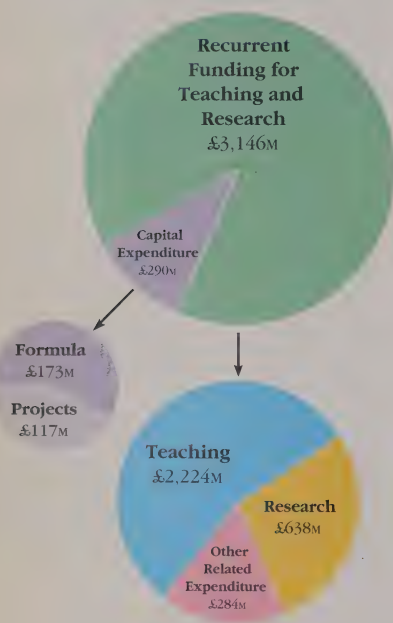
Support for the Humanities

In recognition of its special responsibility to support the humanities, the Council is continuing to fund the major part of a scheme to promote collaborative research in humanities subjects. It is providing £750,000 each year towards the scheme which is being managed by the British Academy's Humanities Research Board. The Council will also provide £6.9 million to 44 institutions in 1996-97 to support specialised research collections in the humanities.

Funding and Finance

Universities and colleges are independent bodies responsible for managing their own affairs. The Council monitors the financial health of institutions to ensure that they continue to deliver the teaching and research for which funding has been provided. Information from monitoring assists the HEFCE in advising the Secretary of State on the funding needs of the sector.

Breakdown of HEFCE Funding for the Academic Year 1996-97



Impact of the Budget

The Council is monitoring carefully the effect of the Government's expenditure plans for universities and colleges announced by the Secretary of State on 28 November 1995 for the financial years 1996-97 to 1998-99.

The HEFCE Board recognised the difficulties for institutions in dealing with the combined effects of substantial cuts in capital funding and reductions in cash for recurrent activities. Total resources - Council grant and tuition fees - have been reduced in real terms by over £300 million in 1996-97. Over the three years 1996-97 to 1998-99 the reduction is more than £550 million. A small proportion of these reductions reflects a transfer of resources, and students, to the Teacher Training Agency.

Capital funding for the financial year 1996-97 is £107 million less than the £350 million available in 1995-96, a cash reduction of 31 per cent. Over the next three years the reduction is £169 million, or 52 per cent in real terms.

Grants for 1996-97

In February 1996 the Council announced the distribution of £3,319 million of recurrent and formula capital funding, for the academic year 1996-97, to 138 universities and colleges and 74 further education

colleges providing higher education courses. These grants are listed on pages 20 to 22.

Most of the funds are distributed by formula, which takes account of the size and activities of institutions and the quality of their research. Funds are provided as a block grant, which institutions are free to distribute internally at their own discretion in delivering teaching and research.

Grants were announced as single sums incorporating both recurrent and capital elements, giving more flexibility in how they are spent. The total allocated for 1996-97 includes recurrent grants of £2,224 million for teaching and £638 million for research, in both cases a real terms reduction of 2.75 per cent from 1995-96.

A further £173 million is being allocated for formula capital funding. Funding for existing capital projects and backlog maintenance will continue, but no funding for these activities will be provided after March 1998.

The Council will provide £284 million outside the formula for other related activities, such as the additional costs of operating in London, or maintaining museums, galleries and collections.

The Council's policy is to avoid imposing unmanageable rates of change. In 1996-97 no institution will

suffer a cash reduction greater than 4.5 per cent compared with 1995-96. To keep to this level, seven institutions will receive transitional funding totalling £477,000.

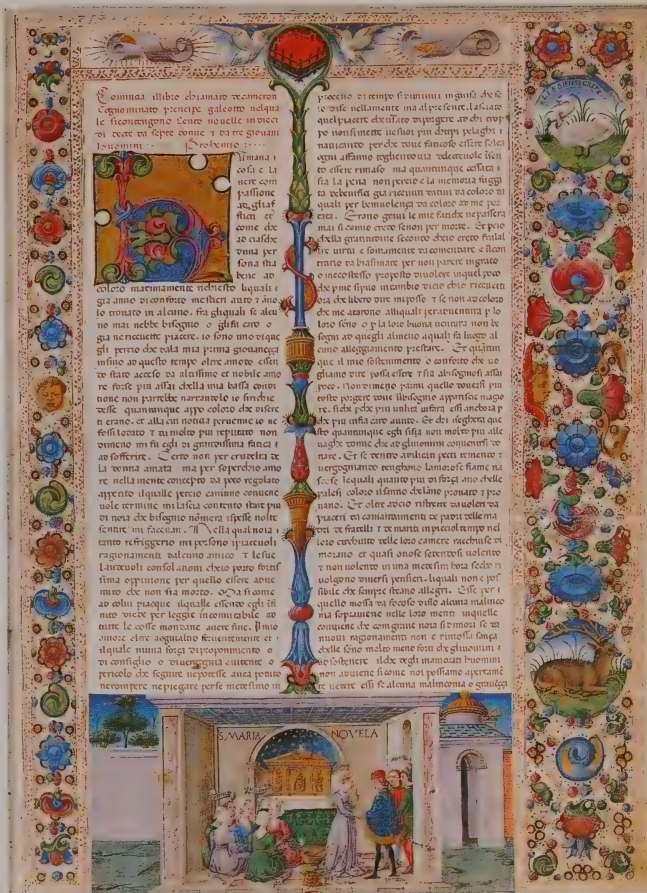
Student Numbers

The Government again asked the Council to exercise tight controls over the numbers of full-time undergraduates, so that the participation rate of young people is maintained at around 30 per cent through to 1998-99 and planned numbers are not exceeded.

To reinforce the Government's policy of consolidating student numbers, the Council set an upper limit for each institution on the number of students from the UK and other EC countries receiving publicly funded tuition fees. This limit is expressed as a maximum aggregate student number (MASN). For 1996-97 it is 739,000, compared with 744,000 in 1995-96. However, institutions can recruit 2 per cent above their MASN without a financial penalty, compared to 1.5 per cent in 1995-96.

Monitoring Financial Health

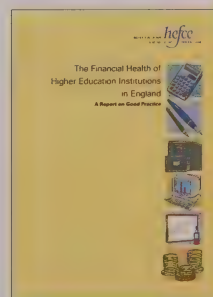
The Council has an important role in monitoring the financial health of universities and colleges. It has intensified monitoring as a result of the increased financial pressures on institutions imposed by the 1995 Budget. The Council will work with institutions experiencing financial problems, but will provide no additional funding. It will require assurances that institutions are securing their own financial future, and will continue detailed monitoring until the problems have been satisfactorily resolved. During 1995-96 four institutions were facing immediate financial difficulty.



A manuscript of Boccaccio's 'Decameron', illuminated by Taddeo Crivelli, 1467, forms part of a collection of pre-1500 manuscripts in the Bodleian Library, University of Oxford. These recent acquisitions are being catalogued using HEFCE funding.

Institutions' latest forecasts for income and expenditure indicate an outturn for 1995-96 of only £39 million, or less than 0.5 per cent of income, compared with £224 million or 2.74 per cent in the previous year. Nearly two-thirds of institutions are predicting a worse outturn for 1996-97, which suggests that - unless offsetting action is taken - the sector as a whole will be in deficit.

In September 1995, the Council published *The Financial Health of Higher Education Institutions In England: A Report on Good Practice* to help institutions benchmark their own financial controls and systems against good practice elsewhere.



Value for Money and Good Management

The Council promotes value for money and good management in universities and colleges.

The Council's audit service operates a rolling programme of visits to institutions to ensure that they have proper procedures for managing their affairs. In 1995-96, it carried out 46 visits. It also provides support and advice, and promotes value for money and good practice.

Energy and Treasury Management

Identifying and disseminating good practice is also at the heart of the UK Value for Money Steering Group, supported by all four funding bodies under the chairmanship of Professor Tom Husband, Vice-Chancellor of the University of Salford. In 1996 the group produced reports and guidance on two major topics - energy and treasury management.

The energy management guide shows how, with the right planning, commitment and resources, institutions can reduce energy costs by between 10 and 20 per cent, representing savings of up to £40 million for the whole sector. The group also developed energy benchmarking software, which institutions can use to measure their own performance and processes against benchmarks specific to higher education.



Improvements in treasury management have even greater potential to save money and reduce the risk of financial loss: around £10 billion flows through the higher education sector each year. The group's recommendations highlight the need for institutions to develop strategies, have a range of investments, and control cash flow.

The new Queens Building at De Montfort University won a Department of Energy award for its innovative design. It is highly insulated, makes maximum use of natural light, and is ventilated passively by channelling warm air up through the tall stacks on the roof.

Cost-Effectiveness

Universities and colleges have already taken steps to be more cost-effective in all types of non-pay expenditure. To build on these, and to ensure that efforts are co-ordinated across the sector, the HEFCE is developing a procurement strategy, in collaboration with the Scottish and Welsh funding councils, and the institutions' representative bodies (CVCP, SCOP and COSHEP).

The strategy, and the detailed implementation plan, aim to develop existing purchasing consortia, improve management information systems for procurement, and benchmark to external standards of price and performance.

In addition, guidance on costing activities will be produced, as a result of a study commissioned jointly by the HEFCE and the Scottish and Welsh funding councils. It will provide a range of practical costing methods to help universities and colleges allocate costs, develop budgets, and make decisions about pricing and cost control.

Commercial Options

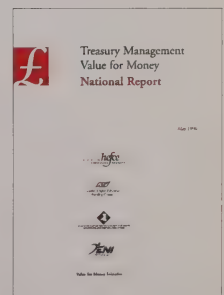
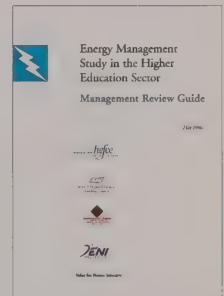
One of the options open to institutions when considering procurement is to work in partnership with commercial organisations, under the Government's Private Finance Initiative (PFI). The Newchurch Register, initiated by the Council, will help to bring potential partners together. So far over 130 companies, and 196 projects in universities and colleges, are entered on the register. Of these, the Council is supporting 12 institutions to develop schemes to attract commercial partners. They will act as pathfinder projects, exploring how PFI solutions in higher education can provide better value for money and share risk with the private sector.

In recent years, many institutions have set up related commercial companies, for example to manage accommodation, or market their expertise and advisory services. Many of these companies are flourishing, to the benefit of their parent institution, but inevitably some failed. To review the issue, and draw out the lessons for the sector as a whole, the Council commissioned an independent study by accountants Robson Rhodes. They found examples of good practice, but also instances where the relationship with the company was not formal enough to protect the institution's interests.

As a result of the study, in November 1995 the Council published recommended practice guidelines for universities and colleges on setting up and dealing with related companies. A further review is planned to see whether the guidelines have been implemented.



In-flight education at the College of Aeronautics, Cranfield University. Students' workstations on the starboard side of the aircraft are linked to the tutor's command station.



Recurrent and Formula Capital Grant for 1996-97 and Students for 1995-96

Institution	Figures in £000s				Percentage Change in Grants	Students	
	Teaching Grant	Research Grant	Other Allocations	Total Grant	from 1995-96	Full-time & sandwich	Part-time
Anglia Polytechnic University	21,830	331	2,724	24,885	-1.4%	10,612	8,168
Aston University	11,434	3,495	1,616	16,545	-4.3%	4,337	839
University of Bath	12,481	7,861	2,092	22,434	-2.6%	5,537	2,080
Bath College of HE	3,830	603	473	4,906	-0.4%	2,255	663
University of Birmingham	37,680	22,193	5,813	65,686	-2.6%	15,216	4,428
Birkbeck College	11,723	4,140	2,691	18,555	-3.6%	399	11,974
Bishop Grosseteste College	212	0	31	243	106.5%	820	155
Bolton Institute of HE	12,008	92	1,052	13,152	-2.8%	4,003	2,832
Bournemouth University	14,716	349	1,191	16,257	-1.9%	7,392	1,956
University of Bradford	16,417	5,414	1,824	23,656	-3.2%	6,675	1,234
Bretton Hall	2,862	6	286	3,155	-1.2%	2,033	280
University of Brighton	20,135	2,246	2,022	24,403	-2.5%	9,184	3,774
University of Bristol	31,453	17,349	4,033	52,835	-2.3%	10,488	7,256
Brunel University	18,970	4,346	4,398	27,715	-1.7%	8,746	3,525
Buckinghamshire College of HE	11,675	9	885	12,569	-2.9%	5,155	2,471
University of Cambridge	36,936	44,285	-2,154	79,067	-4.5%	14,949	5,889
University of Central England	25,674	30	1,985	27,689	-1.8%	10,747	9,649
University of Central Lancashire	29,698	859	2,066	32,623	-2.3%	10,269	5,400
Central School of Speech & Drama	1,482	0	454	1,936	-2.4%	589	77
Canterbury Christ Church College	5,462	237	503	6,203	-1.1%	4,400	4,287
Cheltenham and Gloucester CHE	11,564	664	874	13,102	0.8%	5,478	2,310
Chester College of HE	3,770	42	531	4,344	-1.9%	2,989	2,471
Chichester Institute of HE	4,351	0	261	4,611	16.9%	2,493	1,202
City University	9,458	4,080	4,792	18,331	-1.5%	5,911	4,898
Coventry University	27,868	2,701	2,164	32,733	-2.3%	10,636	3,910
Cranfield University	10,479	3,453	1,674	15,606	-4.5%	2,334	578
Dartington College of Arts	1,313	54	98	1,466	-2.7%	439	8
De Montfort University	38,579	2,158	2,913	43,650	-2.4%	16,822	5,292
University of Derby	15,617	545	1,326	17,488	-0.5%	8,752	3,157
University of Durham	20,520	9,239	2,826	32,585	-1.9%	8,745	2,288
University of East Anglia	13,148	8,494	1,952	23,594	-1.1%	7,082	2,982
University of East London	22,559	1,095	3,871	27,525	-2.5%	8,754	3,408
Edge Hill College of HE	5,127	3	524	5,654	-2.3%	3,731	1,901
Institute of Education	2,091	3,784	1,263	7,138	-1.5%	1,528	2,092
University of Essex	10,154	5,484	1,127	16,765	-2.3%	5,180	645
University of Exeter	16,920	8,348	1,895	27,163	-2.3%	7,847	2,954
Falmouth College of Arts	1,897	0	174	2,071	-3.1%	915	125
Goldsmiths College	9,064	2,294	2,465	13,823	-0.3%	4,075	1,992
University of Greenwich	26,157	1,157	5,074	32,387	-2.1%	11,194	5,902
The College of Guidance Studies	328	0	84	413	-3.2%	88	432
Harper Adams Agricultural College	4,182	140	616	4,939	-1.6%	1,491	56
University of Hertfordshire	26,271	1,379	3,418	31,068	-2.2%	13,039	4,563
Homerton College, Cambridge	64	344	31	439	0.0%	1,807	1,605
University of Huddersfield	22,671	1,023	1,534	25,227	-2.0%	8,798	4,513
University of Hull	17,098	5,854	1,878	24,830	-2.7%	7,450	5,445
Imperial College	21,811	25,048	11,806	58,665	-3.5%	7,206	746

Institution	Figures in £000s				Percentage Change in Grants	Students	
	Teaching	Research	Other	Total	from 1995-96	Full-time & sandwich	Part-time
	Grant	Grant	Allocations	Grant			
Keele University	9,823	4,100	1,135	15,058	-1.0%	5,522	5,414
University of Kent at Canterbury	14,466	5,476	1,559	21,501	-1.6%	6,777	3,833
Kent Institute of Art & Design	3,715	0	304	4,019	-3.9%	1,459	138
King Alfred's College, Winchester	2,914	0	289	3,203	-0.9%	3,103	1,218
King's College London	22,617	17,464	8,594	48,675	-4.3%	9,766	3,053
Kingston University	23,998	1,225	3,917	29,139	-2.0%	9,942	3,180
Lancaster University	16,283	8,921	1,954	27,159	-1.9%	8,466	5,711
La Sainte Union College of HE	2,494	59	218	2,771	3.7%	2,021	610
University of Leeds	42,440	21,217	5,668	69,324	-1.6%	17,213	3,948
Leeds Metropolitan University	29,538	1,071	1,886	32,495	-2.3%	9,981	9,342
University of Leicester	20,015	9,834	2,852	32,701	-2.9%	8,438	6,150
University of Lincolnshire & Humberside	22,320	305	1,526	24,150	-2.3%	10,633	3,177
University of Liverpool	36,347	16,575	4,519	57,440	-3.2%	11,889	7,437
Liverpool Institute of HE	5,338	0	322	5,660	-2.4%	3,263	1,026
Liverpool John Moores University	32,962	1,406	2,323	36,691	-2.4%	12,638	6,632
University of London	23,894	15,332	21,556	60,782	-4.0%	4,316	1,090
London Business School	573	1,759	803	3,135	1.2%	521	421
London Sch of Economics & Political Science	6,045	7,392	2,945	16,382	-2.4%	4,732	791
London Guildhall University	17,969	462	3,339	21,770	-2.5%	6,491	4,074
London Sch of Hygiene & Tropical Medicine	2,133	3,375	1,701	7,208	-4.5%	467	165
The London Institute	15,811	1,033	3,157	20,001	-1.6%	6,359	2,584
Loughborough University	19,706	8,764	2,353	30,824	-2.9%	8,640	1,278
Loughborough College of Art & Design	1,898	0	210	2,108	-3.2%	723	22
University of Luton	15,125	2	1,497	16,623	-2.5%	8,875	4,187
University of Manchester	44,038	28,107	7,803	79,949	-2.2%	16,778	4,387
UMIST	13,652	9,979	2,228	25,859	-4.5%	5,749	290
Manchester Metropolitan University	46,470	3,063	3,371	52,904	-2.1%	18,598	9,439
Middlesex University	27,621	2,305	4,011	33,936	-1.3%	15,859	3,380
Nene College	13,123	103	1,131	14,357	-2.7%	7,415	2,806
University of Newcastle upon Tyne	32,713	17,379	4,392	54,485	-2.2%	11,327	5,292
Newman College	552	2	73	627	17.8%	1,056	196
University of North London	21,031	910	4,321	26,263	-1.7%	9,021	4,300
North Riding College	1,753	0	153	1,906	2.0%	1,375	51
Northern School of Contemporary Dance	492	0	54	545	-3.0%	151	0
University of Northumbria at Newcastle	30,670	1,811	2,200	34,681	-2.0%	12,266	6,026
Norwich School of Art & Design	1,198	5	152	1,354	-2.4%	593	8
University of Nottingham	29,775	17,479	4,422	51,676	-1.8%	12,995	9,410
Nottingham Trent University	36,551	1,471	2,778	40,799	-1.5%	16,873	6,370
Open University	103,239	4,880	4,335	112,454	-0.5%	410	95,781
School of Oriental & African Studies	3,132	3,353	4,026	10,510	-1.9%	2,384	378
University of Oxford	36,521	44,525	-2,432	78,614	-3.5%	14,949	3,187
Oxford Brookes University	18,530	2,164	1,279	21,972	-2.3%	7,583	3,773
School of Pharmacy	1,457	1,670	837	3,964	-4.7%	494	284
University of Plymouth	31,173	3,031	3,107	37,312	-1.3%	14,426	4,423
University of Portsmouth	26,711	2,983	1,866	31,560	-2.0%	11,252	3,356
Queen Mary & Westfield College	23,951	11,619	7,928	43,498	-4.4%	7,475	555
Ravensbourne College	1,703	0	250	1,953	-3.3%	555	0
RCN Institute	1,499	0	434	1,933	-1.1%	135	1,590
University of Reading	18,221	11,549	2,643	32,413	-2.0%	9,310	3,732
College of Ripon & York St John	4,587	109	267	4,963	0.3%	3,030	1,256
Rochampton Institute	8,867	1,309	1,872	12,049	-1.5%	5,024	1,671
Rose Bruford College	1,142	0	165	1,307	-2.0%	423	56

Institution	Figures in £000s				Percentage Change	Students	
	Teaching Grant	Research Grant	Other Allocations	Total Grant	in Grants from 1995-96	Full-time & sandwich	Part-time
Royal Academy of Music	2,781	0	166	2,948	-1.6%	492	0
Royal College of Art	5,561	750	746	7,057	1.8%	741	53
Royal College of Music	2,458	0	231	2,688	-2.1%	507	2
Royal Holloway, University of London	11,034	3,959	2,604	17,596	-2.7%	4,886	382
Royal Northern College of Music	2,970	0	185	3,156	-1.3%	557	0
Royal Postgraduate Medical School	1,639	5,647	4,245	11,531	-3.5%	216	144
Royal Veterinary College	3,948	1,843	1,185	6,976	-4.5%	549	32
St George's Hospital Medical School	5,801	3,510	1,890	11,201	-4.5%	934	190
College of St Mark & St John	2,142	0	234	2,376	-1.3%	2,307	987
S. Martin's College	3,300	89	177	3,567	-0.8%	3,149	3,793
St Mary's College	2,979	1	506	3,486	-0.2%	2,209	169
University of Salford	15,888	4,029	1,632	21,549	-3.1%	6,973	769
Salford College of Technology	11,606	306	1,169	13,081	-2.9%	4,286	3,947
University of Sheffield	34,825	18,100	4,455	57,380	-1.7%	16,106	4,520
Sheffield Hallam University	38,208	2,597	2,776	43,581	-1.9%	14,333	6,389
University of Southampton	26,397	16,717	3,962	47,076	-1.8%	10,459	3,899
Southampton Institute	19,279	37	1,340	20,656	-1.3%	9,568	3,408
South Bank University	27,461	1,442	6,342	35,246	-2.9%	11,221	7,906
Staffordshire University	26,149	1,144	2,015	29,307	-2.3%	11,164	3,614
University of Sunderland	21,774	1,393	1,957	25,123	-2.6%	10,253	3,445
Surrey Institute of Art and Design	4,320	43	539	4,902	-2.9%	2,145	124
University of Surrey	13,630	7,497	2,059	23,186	-2.6%	6,149	4,822
University of Sussex	16,706	10,256	1,968	28,931	-1.6%	7,641	2,430
University of Teesside	18,791	725	1,292	20,807	-2.1%	7,786	4,408
Thames Valley University	19,073	311	2,959	22,342	-2.3%	9,630	8,190
Trinity & All Saints	2,594	36	238	2,867	-2.2%	1,969	263
Trinity College of Music	1,725	0	136	1,861	-1.7%	460	15
University College London	30,177	28,332	12,489	70,998	-2.3%	11,993	1,468
UCL - Institute of Child Health	445	1,520	1,468	3,433	-4.5%	105	139
UCL - Eastman Dental Institute	702	286	465	1,453	-4.5%	138	92
UCL - Institute of Neurology	220	1,796	630	2,646	-3.2%	33	52
University of Warwick	18,903	14,565	2,779	36,247	-1.4%	9,650	8,886
Westhill College	995	2	61	1,058	29.9%	1,098	177
University of Westminster	30,578	1,796	6,269	38,644	-2.2%	8,908	10,782
Westminster College, Oxford	571	0	281	852	13.4%	1,160	1,679
University of West of England, Bristol	31,730	1,472	2,575	35,776	-1.7%	13,128	6,215
Wimbledon School of Art	1,195	340	231	1,767	3.9%	377	60
Winchester School of Art	1,571	143	156	1,870	-0.4%	659	273
University of Wolverhampton	29,995	965	2,164	33,123	-1.7%	13,152	10,587
Worcester College of HE	3,581	70	217	3,868	8.1%	3,189	1,250
Writtle College	2,130	6	355	2,492	-1.1%	858	44
Wye College, University of London	1,869	1,535	490	3,893	-2.0%	805	909
University of York	12,861	7,968	1,577	22,406	-2.9%	5,485	554
FE Colleges funded by HEFCE	49,740	0	855	50,595	0.9%	28,639	8,485
Total	2,198,839	638,034	307,517	3,144,390	-2.2%	904,398	505,442

Allocations are those given in HEFCE Circular 12/96. Totals do not include claim-based grants.

Figures in this table may not sum due to rounding. Some allocations may be subject to adjustment.

The student numbers shown are assumed registrations from data returned to the Council by institutions.

They cover all Home, EC and overseas students.

The HEFCE funds higher education at the following colleges of further education

Askham Bryan College	Loughborough College
Bedford College	Mid-Kent College of HFE
Berkshire College of Art & Design	NE Surrey College of Technology
Birmingham College	NE Worcestershire College
Blackburn College	New College Durham
Blackpool & Fylde College	Newcastle College
Bournemouth & Poole College of Art & Design	Newham College of Further Education
Bracknell College of HE	North Lincolnshire College
Bradford & Ilkley Community College	Northbrook College, Sussex
Brooklands Technical College	Northumberland College
Brunel College of Arts and Technology	The College of North West London
Carlisle College	Oldham College of Technology
Chesterfield College of Technology	Peterborough Regional College
Chichester College of Arts, Science & Technology	Rycotewood College
City of Liverpool Community College	Salisbury College
City College, Manchester	Sandwell College of FHE
Cleveland College of Art & Design	The Sheffield College
Coalville Technical College	Solihull College
Cordwainers College	South Tyneside College of FE
Coventry Technical College	Sparsholt College, Hampshire
Crawley College of Technology	Southampton City College *
Croydon College	Southport College **
Cumbria College of Art & Design	St Helens College
Dewsbury College	Stockport College of FHE
Doncaster College	Suffolk College of FHE
Farnborough College of Technology	Swindon College
Glos College of Art & Technology	Thurrock College
Guildford College of FHE	Trowbridge College
Halton College of FE	Wakefield College
Hammersmith & W London College	Walsall College of Technology
Harlow College	Warrington Collegiate Institute
Havering College of FHE	West Thames College
Henley College	Westminster College, London
Herefordshire College of Art & Design	Wigan and Leigh College
Herefordshire College of Technology	Wirral Metropolitan College
Highbury College, Portsmouth	Worcester College of Technology
Lackham College	York College of FHE
Leeds College of Art & Design	

* HEFCE-funded until 1995-96

** HEFCE-funded from 1996-97

Summary Statement of Accounts

Income and Expenditure Account for the Year to 31 March 1996

Income	Year to 31 March 1996		Year to 31 March 1995	
	£000	£000	£000	£000
Government Grants (DfEE)				
Recurrent and Capital Funding	3,600,514		3,407,293	
Access Funds	21,693		21,014	
Animals (Scientific Procedures) Act	1,476		1,441	
Council Administration Costs	11,761	3,635,444	11,041	3,440,789
Transfer from Deferred Grant Account		429		581
Income from Activities	362		265	
Funding from other sources	4,751		3,335	
Other Operating Income	30	5,143	175	3,775
Total Income		3,641,016		3,445,145
Expenditure				
Grants paid to Institutions				
Recurrent and Capital Expenditure	3,591,903		3,406,238	
Access Funds	21,693		21,014	
Animals (Scientific Procedures) Act	1,124	3,614,720	982	3,428,234
Council Administration Costs				
Staff costs	5,127		4,593	
Depreciation	416		567	
Other	7,367	12,910	6,872	12,032
Total Expenditure		3,627,630		3,440,266
Operating Surplus		13,386		4,879
Profit(loss) on Sale of Fixed Assets		-4		5
Appropriations to DfEE		-398		-642
Surplus for the Period		12,943		4,242

Status of Summary Statement of Accounts

1. This is a summary statement of the accounts and foreword of the HEFCE for the year ended 31 March 1996: the full statement of accounts has been laid before Parliament and published by HMSO. The income and expenditure account for the year ended 31 March 1996 has been extracted from the full statement of accounts.

Audit Report

2. The full statement of accounts has been audited by the Comptroller and Auditor General, who expressed an unqualified audit opinion and had no observations to make on them.

Review of Activities

3. The main activities of the Council during the year to 31 March 1996 are described on pages 1,2, 4-19, and 26-27 of this report.

Assessment of Progress and Future Developments

4. Assessment of progress and a review of future developments are given on pages 1,2, 4-19 and 26-27.

Events since the End of the Financial Year

5. Events since the end of the financial year are described on pages 1,2, 4,5 and 8-19.

Board Membership

6. The members who served on the Board throughout the financial year and changes to the membership are given on page 29.

Salaries and Wages

7. Details of Board members' honorariums and expenses, senior employees' remuneration, and staff costs are given on page 28, and in note 6 of the full statement of accounts.

Register of Board Members' Interests

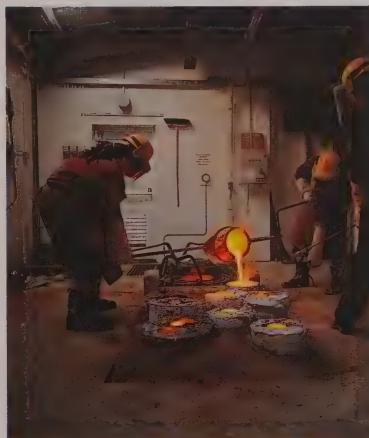
8. The Council maintains a register of Board members' interests which is available for inspection on request.

Remuneration Committee

9. Members of the committee are listed on page 31.

Payment of Creditors

10. The Council is committed to the prompt payment of its suppliers' bills, and supports the Confederation of British Industry's Prompt Payment Code.



*Students at Wimbledon School of Art,
casting in bronze.*

The HEFCE

The HEFCE was created under the Further and Higher Education (FHE) Act 1992 and established on 6 May 1992. The Council's main functions are to advise the Secretary of State for Education and Employment of the funding needs of higher education institutions and to distribute available funds for teaching, research and other related activities.

The HEFCE is a non-departmental public body operating within a policy and funding context set by Government. Within those guidelines it has considerable scope, through its funding methods and special initiatives, to identify and respond to the needs of the users of higher education (students, employers and the beneficiaries of research) and the providers (universities and colleges).

The Board

Policies are decided by 14 Board members who have collective responsibility for the control and management of the Council as a corporate body. In conducting its business, the Board aims to observe the highest standards of impartiality, integrity and objectivity.

Members follow a Code of Best Practice which sets out their responsibilities, particularly the need to comply with the principles of openness and accountability highlighted by the Nolan Committee. A register of members' interests is maintained and is available for public inspection.

In 1995-96 the Board met eight times, in London and Bristol.

People

Council policies are developed and implemented by around 200 staff, almost all of whom work at Northavon House in Bristol. The HEFCE has a base in London, which is used for Board, committee and group meetings. The Council is working towards the Investors in People award, a national standard which recognises effective investment in staff development and training.

Co-operation with other Bodies

In developing and implementing policies, the Council seeks to co-operate with other relevant bodies with an interest in higher education. These include the Scottish and Welsh higher education funding councils, the Further Education Funding Council and the Teacher Training Agency.

The Council also provides advisory services to the Department of Education Northern Ireland (DENI), the Northern Ireland Higher Education Council (NIHEC), and the Department of Agriculture Northern Ireland (DANI). The relationship between the HEFCE, DENI and DANI is set out in a service level agreement between the three bodies.

Key Performance Targets

The Council is required by the Government to publish its key performance targets and progress in achieving them. Targets for 1995-96 are shown opposite.

The Council respects the independent status of universities and colleges, and seeks to work with them in developing policies. It is implementing a plan to improve its communications with institutions. This involves giving them advance notice of future activities, producing clearer and better targeted publications and making better use of electronic publishing.

Progress against Performance Targets 1995-96

<i>Strategic Aim</i>	<i>Key Performance Target</i>	<i>Outcome</i>
1. Promoting public understanding and maintaining effective relationships with HEIs	1.1 Visits to be made during the year to all HEIs and FECs with substantial HE provision	94 per cent of HEIs were visited in 1995-96. Of the remainder, all but 3 were visited either in the 4 months before this period, or have been visited since. All FECs with substantial provision were visited during the year.
2. Funding cost-effective teaching and research	2.1 Main funding allocations to be announced by March 1996 and all funding delivered to institutions correctly and on time	1996-97 recurrent and formula capital allocations were announced to institutions individually on 27 February 1996, and for all institutions in Circular 4/96 on 28 February 1996. Funding for 1995-96 was paid in accordance with a profile of payments agreed with the DfEE.
	2.2 Student numbers in 1995-96 to be within 1.5 per cent of the Secretary of State's target	Achieved. The total MASN set for 1995-96 was 744,000. The total number of award holders recruited was 737,000, that is, within 0.9 per cent of the Secretary of State's target.
	2.3 Effective preparatory work to be completed for the 1996 Research Assessment Exercise	Achieved. By 1 May 1996, 191 returns were received from institutions out of an expected total of 192.
3. Promoting the quality of teaching and research	3.1 By March 1996, 90 per cent of providers to have received an assessment visit relating to the eight subject areas covered by the current quality assessment programme	Achieved 89 per cent. Slight slippage was due to the unavoidable postponement of visit dates beyond the year end.
4. Promoting and monitoring the financial health of HEIs	4.1 No institution for which the HEFCE has lead accounting officer responsibility to become insolvent	Achieved.
5. Promoting the sector's infrastructure and capital base	5.1 Establishment of a database of institutions' projects and sources of capital. Establishment of registers of proposed projects and of commercial sector interest, with a view to increasing the use made of private finance	A combined register of proposed projects and commercial sector interest was established in November 1995. The Council's requirements for information on institutions' projects and sources of capital are being reviewed in the light of the new financial memorandum between the Council and institutions published in March 1996.
6. Employing the Council's resources cost-effectively	6.1 To provide an efficient, effective service within the £12 million running costs budget, achieving the 3.5 per cent efficiency gain in 1995-96 required by the Secretary of State	The Council met its operating targets in 1995-96 from within its running costs cash limit for that year.

HEFCE Administration Costs

	Year to 31 March 1996		Year to 31 March 1995	
	£000	£000	£000	£000
Staff Costs (salaries, Social Security, pensions, temporary staff)		5,127		4,593
Depreciation		416		567
Other Administration Costs				
Board Members' honorariums & expenses	51		87	
Committee members', advisers' and quality assessment inspectors' fees, travel and subsistence costs	2,565		2,741	
General administrative payments	2,017		1,481	
Staff for Travel & Subsistence	579		465	
Premises	1,687		1,757	
Audit fee	29		29	
Consultancy fees	439	7,367	312	6,872
Total Administration Costs		12,910		12,032

Included in the above are:

Quality assessment costs (net of contributions from other Councils)

Administrative payments	2,432	2,960
Staff Costs	939	720
Total Direct Costs	3,371	3,680

Research assessment costs (net of contributions from other Councils)

Administrative payments	312	-
Staff Costs	88	-
Total Direct Costs	400	0

Chairman's salary (Brandon Gough)

36	35
----	----

Chief Executives' Salary and Benefits

Prof. Sir Graeme Davies - resigned 30 September 1995	62	110
Prof. Brian Fender - appointed 1 October 1995	57	
	119	110

Employees

Senior employees (excluding the Chief Executive) who received salaries as at 31 March of:

£40,000 to £49,999 per annum	11	9
£50,000 to £59,999 per annum	3	3

The average number of staff employed during the year to 31 March, excluding the Chief Executive, was:

Management staff	134	119
Support staff	63	60
	197	179

HEFCE Board Members

The following served on the Board during 1995-96

Chairman

Mr Brandon Gough,
Chairman, Yorkshire Water plc,
Director, De La Rue plc,
Director, National Power plc,
Director, George Wimpey plc.

Chief Executives

Professor Graeme Davies
- resigned 30 September 1995

Professor Brian Fender
- appointed 1 October 1995

Members

Mrs Joan Bingley, Chartered Secretary in
public practice

Professor Sir John Cadogan,
Director General, Research Councils

Professor Sir Colin Campbell,
Vice-Chancellor, University of Nottingham

Mr Michael Fallon,
former Parliamentary Under Secretary of
State for Education

Professor Sir Brian Follett,
Vice-Chancellor, University of Warwick
- retired 5 May 1996

Professor Kay-Tee Khaw,
Professor of Clinical Gerontology,
University of Cambridge

Sir Idris Pearce,
Chairman, Higher Education Funding
Council for Wales - retired 5 May 1996

Sir Robert Scholey,
formerly Chairman, British Steel plc -
retired 5 May 1995

Ms Barbara Stephens,
Chief Executive, West Cumbria
Development Agency
- appointed 6 May 1995

Dr John Strickson,
Principal, North East Surrey College of
Technology

Dr Rab Telfer,
Chairman, Board of Governors, University
of Teesside

Miss Janet Trotter,
Director, Cheltenham and Gloucester
College of Higher Education

Professor David Watson,
Director, University of Brighton - retired
5 May 1996

Secretary to the Council

Dr Rob Hull

Assessor

Mr Roger Dawe,
Director General for Further and Higher
Education, Department for Education
and Employment

Observers

Professor John Andrews,
Chief Executive, Higher Education
Funding Council for Wales

Mr Peter Holmes,
Under Secretary, Department of Education
Northern Ireland

Board Members Appointed after 31 March 1996



Anthony Booth, CBE
Chairman,
Ericsson UK
- appointed 6 May 1996



Dr David Fussey,
Vice-Chancellor,
University of Greenwich
- appointed 6 May 1996



Professor Sir Stewart Sutherland,
Vice-Chancellor,
University of Edinburgh
- appointed 6 May 1996

HEFCE Committees

Quality Assessment Committee

Chairmen

Professor David Watson,
Director, University of Brighton
- retired May 1996

Dr Rab Telfer,
HEFCE Board Member
- from May 1996

Members

Mrs Ann Bailey,
Head of Education and Training Affairs,
Engineering Employers' Federation
- from 1 March 1996

Professor Robert Boucher,
Vice-Chancellor, UMIST

Mr Patrick Coldstream,
Director, Council for Industry & HE

Mrs Catherine Cunningham,
Director, Graduate School of International
Business, University of Bristol
- retired 31 January 1996

Professor Janet Finch,
Vice-Chancellor, Keele University
- retired 31 January 1996

Professor Derek Fraser,
Vice-Chancellor, University of Teesside

Professor Diana Green,
Pro Vice-Chancellor, University of Central
England in Birmingham
- retired 31 January 1996

Professor Stephen Holt,
Rector, Roehampton Institute

Mrs Valerie Stead,
Deputy Vice-Chancellor, University of
Greenwich



*Teacher training, S. Martin's College
Lancaster.*

Joint Advisory Committee on Church Colleges

jointly with TTA

Chairman

Rt Rev Alan Chesters, Bishop of Blackburn

Members

Dr Anand Chitnis,
Council of Church & Associated Colleges

Mr Geoffrey Duncan,
Board of Education of the General Synod
of the Church of England

Ms EW Evans,
Head teacher, King Edward Sixth High
School for Girls

Dr Bryan Loughrey,
Director of Research, Roehampton
Institute

Rt Revd Vincent Malone,
Higher Education Committee of the
Catholic Bishops Conference of England
and Wales

Professor Leonard Marsh,
Principal, Bishop Grosseteste College

Mr Derek Robson,
Board of Management for Methodist
Residential Schools

Miss Janet Trotter,
HEFCE Board Member

Dr Gerard Turnbull,
Principal, Trinity & All Saints College

Revd Dr Kenneth Wilson,
Principal, Westminster College
- retired December 1995

Audit Committee

Chairman

Dr Rab Telfer,
HEFCE Board Member

Members

Mrs Joan Bingley,
HEFCE Board Member
- from 21 February 1996

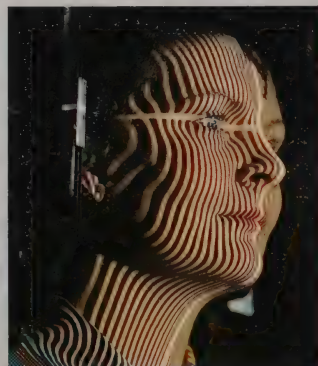
Mr Michael Fallon,
HEFCE Board Member

Ms Deborah Goodwin,
Auditor, Touche Ross, London

Dr Peter Knight,
Vice-Chancellor,
University of Central England
in Birmingham

Sir Robert Scholey,
HEFCE Board Member
- retired 5 May 1995

*Recording facial structure in 3-D,
Department of Orthodontics,
King's College London.*



Joint Medical Advisory Committee

jointly with SHEFC, HEFCW and DENI

Chairmen

Professor Ingrid Allen,
Institute of Pathology, Queen's University
of Belfast - from 1 January 1996

Sir Michael Bond,
University of Glasgow
- retired 31 December 1995

Members

Professor Tom Bolton,
Dept of Pharmacology, St George's
Hospital Medical School
- retired 31 May 1995

Professor Alasdair Breckenridge,
University of Liverpool - from 1 June 1996

Professor Robert Boyd,
Dept of Child Health,
University of Manchester

Professor Sir David Carter,
Dept of Surgery, University of Edinburgh

Professor Rosemary Crow,
Dept of Nursing and Midwifery, University
of Surrey

Dr Eleri Edwards,
HEFCW Council Member
- from 1 June 1995

Mr Michael Griffith,
HEFCW Council Member
- retired 31 May 1995

Professor Marian Hicks,
former Science Director United Biscuits

Professor Kay-Tee Khaw,
HEFCE Board Member - from 1 June 1995

Dr Paula Kilbane,
Eastern Health and Social Services Board

Professor Sir Keith Peters,
University of Cambridge School of Clinical
Medicine

Sir Robert Scholey,
HEFCE Board Member
- retired 31 May 1995

Professor Frederick Smales,
Dean of Dental Studies,
London Hospital Medical College

Professor Nigel Stott,
University of Wales College of Medicine

Joint Information Systems Committee

jointly with SHEFC, HEFCW and DENI

Chairman

Professor John Arbuthnott,
Principal and Vice-Chancellor, University
of Strathclyde

Members

Ms Lynne Brindley,
Librarian and Director of Information
Services, British Library of Political and
Economic Science

Dr James Carden,
Assistant General Manager,
Bank of Scotland

Professor Alastair Chalmers,
Director, Computer Centre, University of
Sussex

Professor Anthony Clementson, Director of
Advanced Engineering BAc, retired. MD
Innova-Link Ltd

Professor John Darby,
Assistant Principal, Napier University
Council Member SHEFC

Professor Peter Ford,
Dean of Science, University of Nottingham

Dr David Fussey,
Vice-Chancellor, University of Greenwich
- retired March 1996

Ms Nicky Gardner,
Director of Educational Services,
University of Ulster

Mr Derek Law,
Director of Information Services &
Systems, King's College London

Mr Robert Seaton,
Secretary, University of Dundee

Professor Michael Tedd,
Department of Computer Science,
University of Wales Aberystwyth

*JISC members whose term of office
ended before 31 March 1996:*

Mr Mike Aldrich,
Chairman and Chief Executive,
ROCC Computers

Dr John Martin,
Director, Computing Centre,
University of Wales College of Cardiff

Dr Steven Stott,
Dean, Information Sciences, University of
Hertfordshire

Remuneration Committee

Chairman

Mr Michael Fallon, HEFCE Board Member

Members

Mrs Joan Bingley,
HEFCE Board Member

Professor Sir Brian Follett,
HEFCE Board Member

*The HEFCE has also established the
following working and advisory groups:*

Conservatoires Advisory Group

Chairman

Sir John Tooley
formerly General Director,
National Opera House

Follett Implementation Group

jointly with SHEFC, HEFCW and DENI

Chairman

Professor Sir Brian Follett
HEFCE Board Member

Value for Money Steering Group

jointly with SHEFC, HEFCW and DENI

Chairman

Professor Tom Husband,
Vice-Chancellor, University of Salford



*Rehearsals at the Royal Northern College
of Music.*

Bibliography

HEFCE Publications

Consultation Paper 1/96

Funding Method for Teaching

Consultation Paper 2/96

Funding Method for Research

The Financial Health of Higher Education Institutions in England: A Report on Good Practice

HEFCE Publications Produced with Other Bodies

Energy Management Study in the Higher Education Sector: National Report

Energy Management Study in the Higher Education Sector: Management Review Guide (plus Benchmarking Software)

Fast and Flexible: the AIRS Experience

Related Companies: Recommended Practice Guidelines

Review of Postgraduate Education

Teaching and Learning Technology Programme Catalogues (Phase 1 Spring 1995, Phase 2 Spring 1996)

Treasury Management Value for Money: National Report

Treasury Management Study in the Higher Education Sector: Management Review Guide

White Papers

Competitiveness: Helping Business to Win
Cm 2563

Realising our Potential: a Strategy for Science, Engineering and Technology
Cm 2250

HEFCE on the World Wide Web

Further information on the work of the HEFCE, including Council publications, is available on the World Wide Web at:
<http://www.hefce.ac.uk/>

Abbreviations

AIRS	Accelerated and intensive routes
COSHEP	Committee of Scottish Higher Education Principals
CUC	Committee of University Chairmen
CVCP	Committee of Vice-Chancellors and Principals
DENI	Department of Education Northern Ireland
DevR	Development research
GNVQ	General National Vocational Qualification
GR	Generic research
HEFCW	Higher Education Funding Council for Wales
JANET	Joint Academic Network
JISC	Joint Information Systems Committee
JPG	Joint Planning Group
MASN	Maximum Aggregate Student Number
PFI	Private Finance Initiative
QR	Quality-related research
RAE	Research Assessment Exercise
SCOP	Standing Conference of Principals
SHEFC	Scottish Higher Education Funding Council
TFP	Technology Foresight Programme
TLTP	Teaching and Learning Technology Programme

Conventions

The academic year covers the period 1 August to 31 July.

The financial year covers the period 1 April to 31 March.

Figures have been rounded where appropriate.

Financial and numerical data were correct at the time of going to press (September 1996), but may be subject to change.

The full accounts of the HEFCE are published by HMSO.

Acknowledgements

The HEFCE wishes to thank all institutions who supplied photographs for inclusion in this Annual Report.

Challenge and Achievement: Annual Report 1995-96

The Higher Education Funding Council for England

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Further copies are available from:

Publications

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